



BKJ

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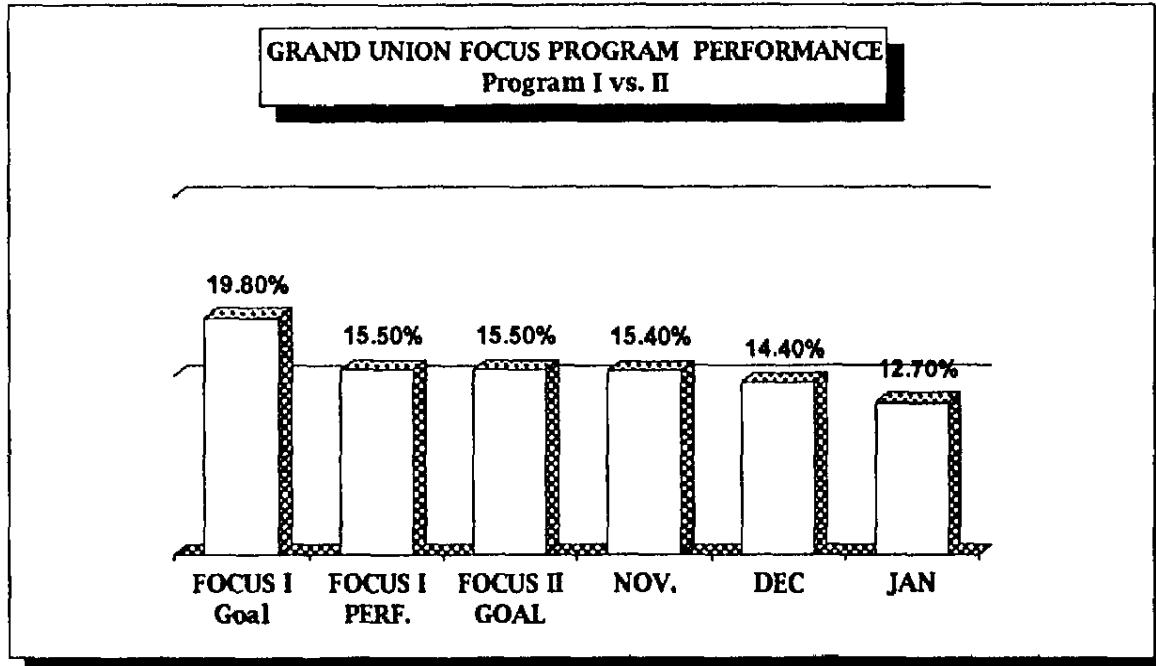
March 22, 1995

Mr. Ned Meara
Grand Union Company
201 Willowbrook Boulevard
Wayne, New Jersey 07470

Dear Ned:

The RJR FOCUS Program is based on maintaining or increasing RJR's Share of Business in your stores. The Share of Business is determined by data provided by you each month. Maintaining or realizing a gain in RJR Share of Business results in a very lucrative case allowance paid on all RJR case purchases throughout the Program period.

Below is Grand Union's performance in FOCUS Program I as well as performance in Program II through January:



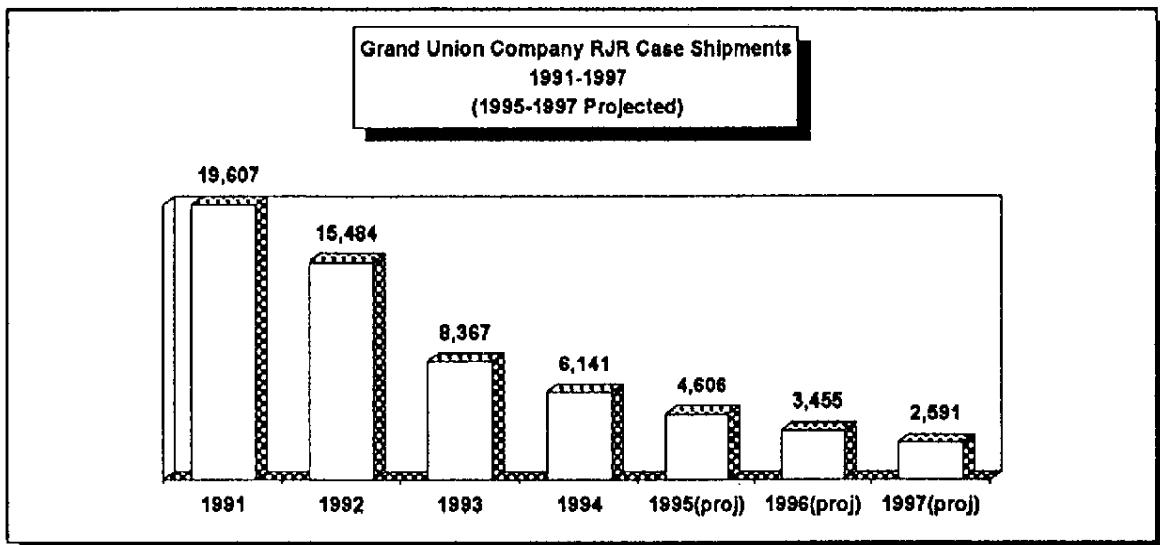
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"We work for smokers."

The FOCUS Program I Goal was based on RJR's Share of Market for the period October 1993- April 1994. Our share loss in your stores resulted in no payment for Program I. As you can see from the above graph our share of business in your stores has decreased over 7% in the past year. Conversely our average share of business in direct supermarket chains in your trading area is 29.9% over the same period. RJR's Share of Business in all trade segments is 21.8% for that period.

It is quite evident that Grand Union is losing cigarette business on RJR potential brand purchasers. They're simply going elsewhere to purchase their favorite Brands. One would have to ask, *how much other business is going with them?*

Below is a graph indicating RJR's case shipment trend since implementation of your current cigarette merchandising program in mid 1991, and our best estimate of current/future trends through 1997:



Clearly, something must be done to reverse the above trend.

As previously stated, we will work with you to develop volume building Programs from which both Grand Union and RJR can benefit.

I'm at your disposal to discuss your thoughts and possible business building ideas with regard to the above information.

Regards,

Nick

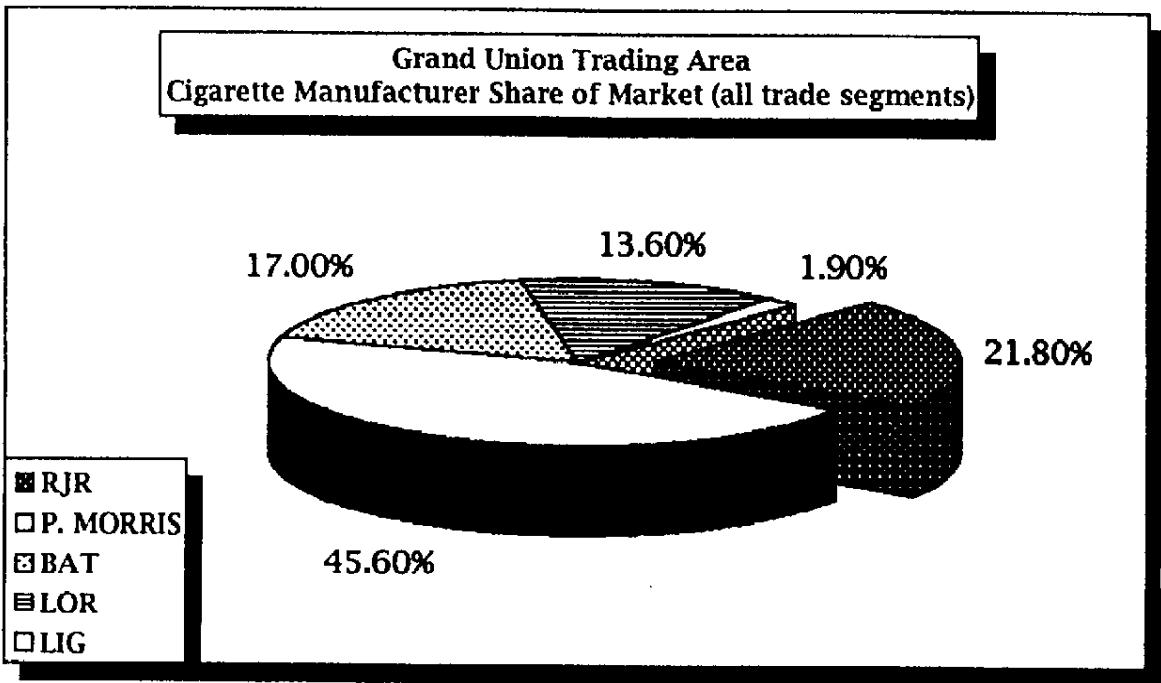
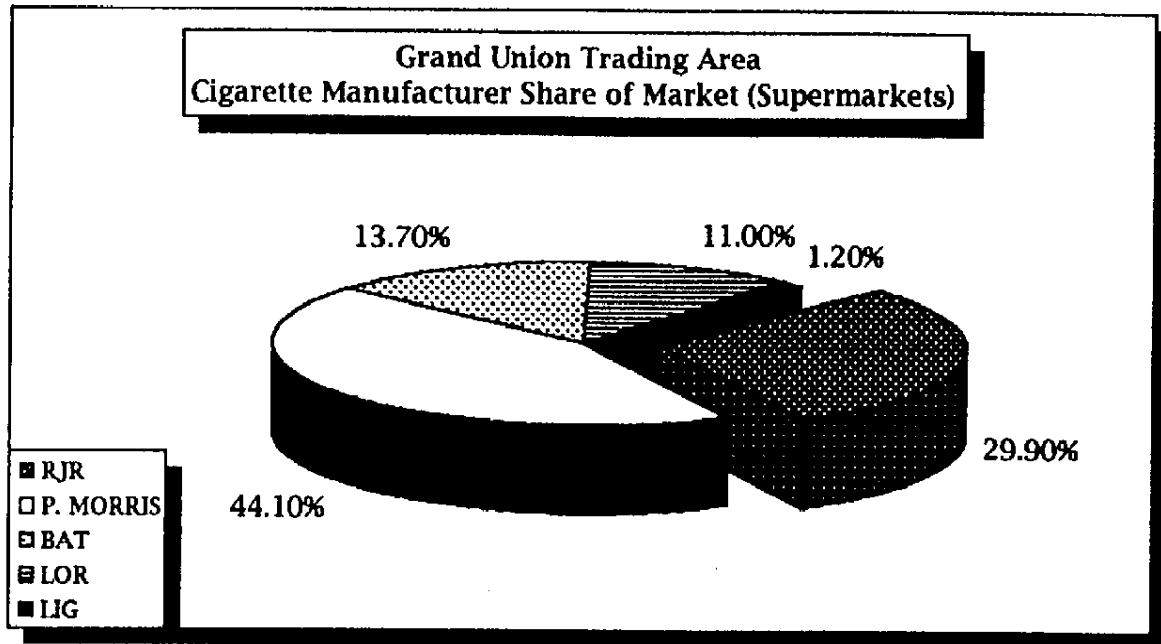
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Attachment

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Attachment: Share of Market Comparison



Note: Data taken from RJR MSA Data for past twelve (12) month period.

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